10 August 2026

Company Update | Sector: Technology

Hexaware Technologies

CMP: INR570 | TP: INR720 (+26%) | Buy

Well set-up for the medium term

Healthy deal wins and strong CY26 exit bode well for earnings growth

- **We met with Hexaware (HEXT) CEO Mr. R. Srikrishna and CFO Mr. Vikash Kumar Jain following the 2QCY26 results** to discuss the guidance revision, the demand environment, AI monetization, and the medium-term growth outlook. HEXT has lowered its FY26 revenue guidance, and our discussions suggest the change is largely driven by a delayed ramp-up of deals rather than a deterioration in demand. The focus now shifts to execution over the next two quarters as these projects begin contributing, while investments in large accounts and AI capabilities continue to build the CY27 growth pipeline.
- **The company appears well placed to exit the year on a stronger run rate, supported by delayed deal ramp-ups**, healthy momentum in modernization programs, and improving AI-led engagements. **We reiterate our BUY rating with a TP of INR720 (based on 25x CY27E EPS).**

Guidance cut reflects revenue timing, not demand; stronger CY27 setup

- The reduction in **CY26 revenue growth guidance to 6-7% YoY (including ~50bp from the CPS rebadging deal) appears to be more of a timing issue than weakening demand**. Delayed ramp-up of deals won earlier in the year, coupled with continued weakness in the Travel & Transportation vertical, has pushed revenue recognition to late 3Q and 4QCY26.
- Encouragingly, the pipeline remains healthy, with continued traction in modernization, consolidation, and AI-led transformation programs. **We estimate 6.6% USD revenue growth in CY26**, with sequential growth improving over the next two quarters as delayed projects begin to ramp up. **A stronger exit in CY26, despite the seasonally weaker 4Q, should provide a better starting point for CY27.**

Large-account expansion continues to support medium-term growth

- Vendor consolidation continues to work in HEXT's favor. **Around 13 of the top 20 clients have undergone consolidation over the past five quarters**, allowing the company to strengthen its positioning and expand its wallet share across several strategic accounts.
- The deal mix is also moving in the right direction, with increasing traction in USD10m+ modernization programs, consolidation mandates, and AI transformation engagements. **The client base contributing over USD10m annually has increased to 34, up by three YoY**, providing a broader foundation for medium-term growth.

BSE Sensex	S&P CNX
78,542	24,584

HEXAWARE

Bloomberg	HEXT IN
Equity Shares (m)	611
M.Cap.(INRb)/(USDb)	348.5 / 3.7
52-Week Range (INR)	830 / 400
1, 6, 12 Rel. Per (%)	2/3/-22
12M Avg Val (INR M)	639

Financials & Valuations (INR b)

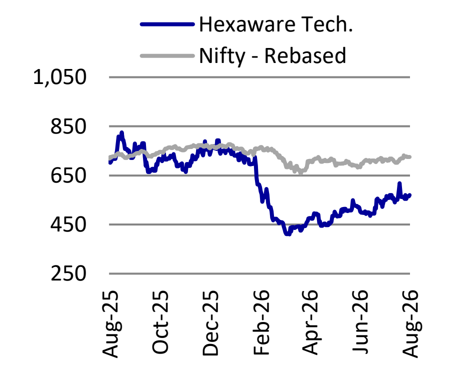
Y/E Mar	CY25	CY26E	CY27E
Sales	134.3	154.3	170.4
Adj. EBIT Margin (%)	14.0	13.7	13.9
Adj. PAT	14.3	14.8	17.6
Adj. EPS (INR)	23.1	23.9	28.4
EPS Gr. (%)	19.6	3.7	18.8
BV/Sh. (INR)	103.7	115.8	130.3
Ratios			
RoE (%)	23.5	22.5	23.4
RoCE (%)	19.6	17.9	19.3
Payout (%)	49.0	50.0	50.0
Valuations			
P/E (x)	24.7	23.8	20.1
P/BV (x)	5.5	4.9	4.4
EV/EBITDA (x)	14.5	12.9	11.0
Div Yield (%)	2.0	2.1	2.5

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	74.3	74.3	74.6
DII	16.1	15.0	9.9
FII	3.4	4.5	9.9
Others	6.3	6.2	5.6

FII Includes depository receipts

Stock's performance (one-year)



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Token economics could gradually change AI commercial models

- AI conversations are gradually shifting from productivity gains toward commercial models and token economics. **Clients are increasingly evaluating AI deployments by balancing labor costs with token consumption, making AI infrastructure costs an integral part of outsourcing discussions** rather than a standalone technology expense.
- HEXT is positioning itself early for this shift through input-, output-, and outcome-based pricing models, supported by proprietary tools that optimize token usage across multiple LLMs (refer to exhibit 1). **While token-based monetization is unlikely to become meaningful immediately, it could gradually expand the revenue pool for IT services beyond traditional FTE-based pricing** and improve competitiveness in AI-led engagements.

AI strategy continues to evolve as enterprise adoption broadens

- While AI is enabling faster software development, a broader adoption continues to depend on business readiness and organizational change rather than technology alone. At the same time, AI adoption will create incremental demand for legacy modernization, with **USD10m+ modernization programs becoming increasingly visible** in both the deal pipeline and recent deal wins.
- The company also highlighted **a new category of strategic AI partner engagements (refer to exhibit 2),** where enterprises are selecting vendors through initial AI use cases before scaling up across the organization.
- HEXT continues to expand its AI portfolio through **one new AI service launch every month**, with a target of **engaging 100 customers within 90 days** of each launch. The company has also deployed **30-75 AI champions** across business units to drive adoption and scale up new offerings. Management indicated that **Zero License** has already secured its first few commercial wins, while the pipeline continues to build.
- Alongside this, the company is experimenting with **8-10 AI pricing models** spanning input-, output- and outcome-based pricing, while developing token optimization capabilities across multiple LLMs.
- We believe the key monitorable over the next few years will be the pace at which these initiatives translate into larger enterprise engagements and meaningful revenue contribution**, as current AI-led deals remain largely in the USD1-2m range before scaling up further.**

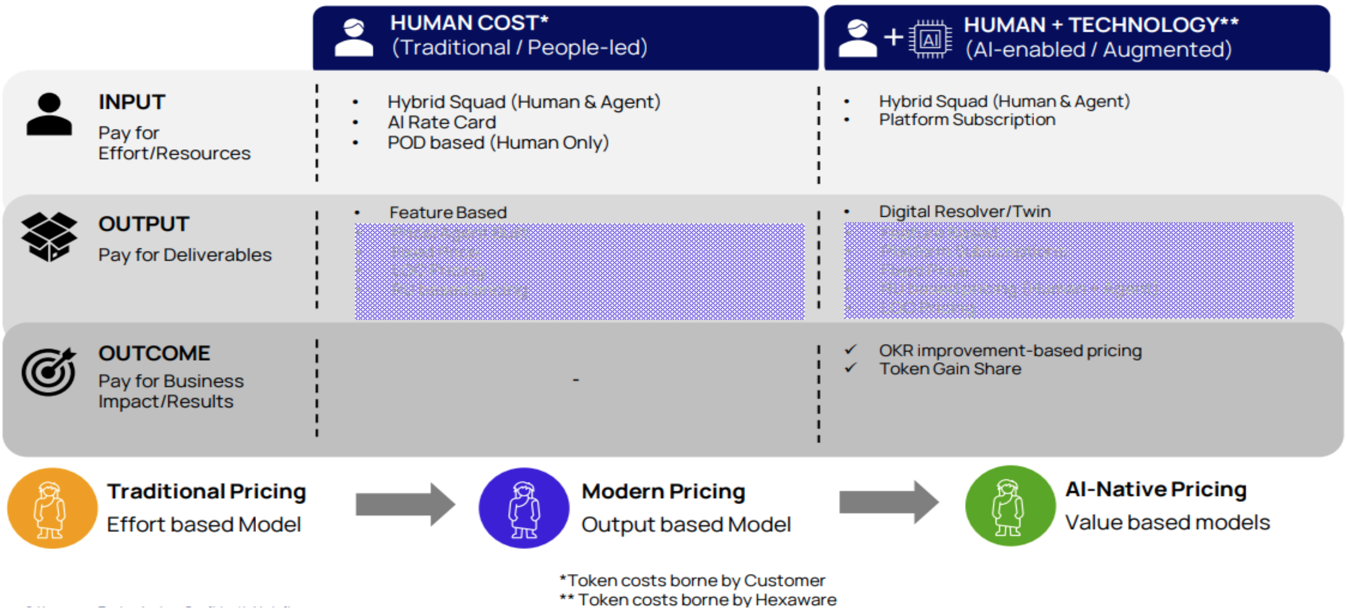
Margin outlook remains stable despite continued investments

- Management **maintained its CY26 EBIT margin guidance of 13-14%,** despite continued investments in hiring and AI capabilities. Margin improvement during the quarter was supported by better utilization and favorable calendar effects, partly offset by seasonal expenses and investments in talent.
- **Looking ahead, operating leverage from delayed deal ramp-ups should help absorb continued investments, while seasonal costs incurred during 2Q** are unlikely to repeat. We expect margins to remain broadly range-bound in the near term with gradual improvement as revenue growth accelerates. We estimate EBIT margins of **13.7%/13.9%** for CY26/27E.

Valuation and View

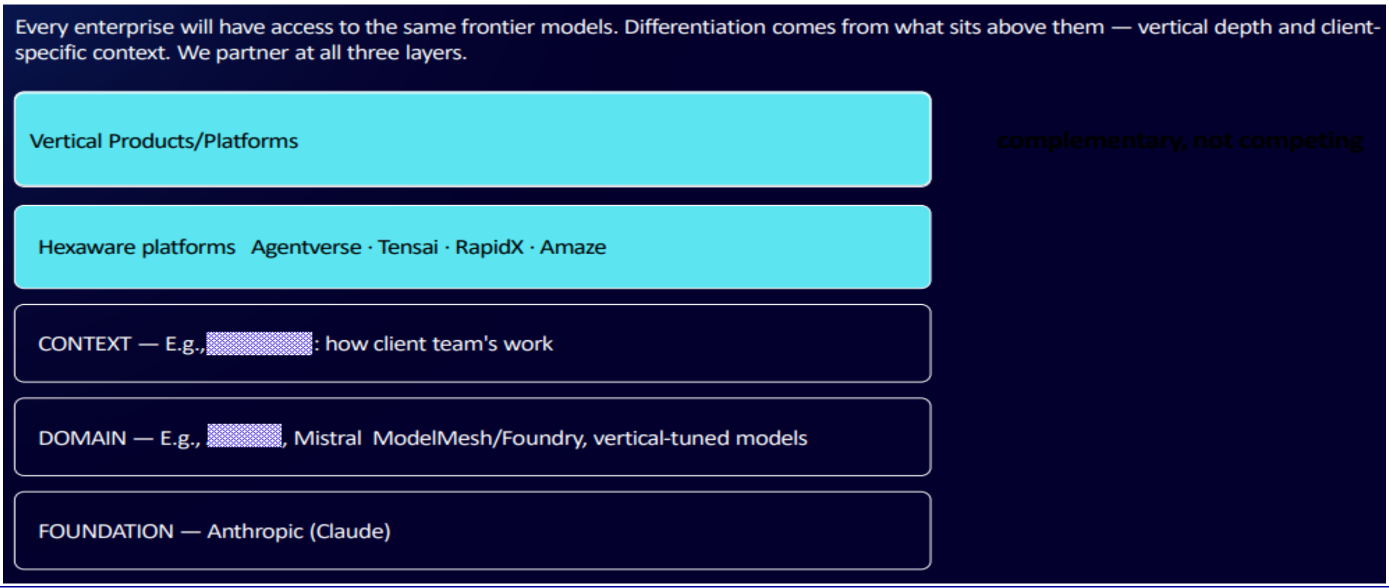
- Although HEXT has lowered its CY26 revenue guidance, management commentary suggests that growth is largely getting deferred rather than lost. Delayed deal ramp-ups, continued momentum in modernization programs, and healthy growth across banking, healthcare, and manufacturing **should support a stronger exit in CY26 and provide a better starting point for CY27.**
- We estimate revenue growth of 6.4%/9.7% YoY CC for CY26/27E, supported by improving execution, continued large-account mining and healthy AI-led opportunities. The company also maintained its margin guidance despite continued investments in AI and talent. **Reiterate our BUY rating with a TP of INR720 (based on 25x CY27E EPS), implying around 26% upside.**

Exhibit 1: Clients are increasingly evaluating AI deployments by balancing labor costs with token consumption and HEXT is positioning itself early for this shift



Source: Company, MOFSL

Exhibit 2: HEXT's partnership strategy

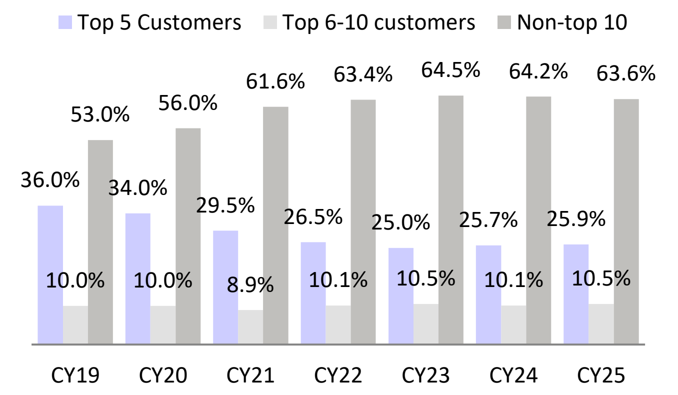


Source: Company, MOFSL

Large-account expansion remains the core growth engine

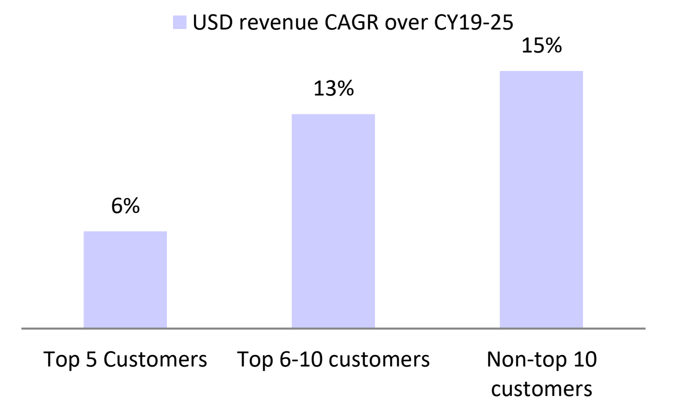
- HEXT continues to focus on deepening existing relationships alongside selective client acquisition, with growth increasingly linked to scaling up large accounts. The company currently has four accounts above USD50m, 16 accounts above USD20m, and 30+ accounts above USD10m, indicating a gradual strengthening of the mid-to-large client base.
- Management indicated that several USD20-30m relationships have potential to **scale up toward USD50-100m over the next 2-3 years**, supported by vendor consolidation trends, preferred-partner positioning, and expansion into higher-value consulting and AI-led engagements. While execution remains key, larger accounts are expected to remain an important driver of growth through FY28**.**
- **Contribution from the top 5 customers has trended lower since CY19,** from 36% in CY19 to ~26% in CY25, while non-top 10 accounts' contribution increased to ~64% of revenue. This reflects stronger growth from the broader client base, with **USD revenue CAGR of 15% for non-top 10 customers vs. 6% for the top 5 over CY19-25**.

Exhibit 3: Exposure to non-top 5 accounts is steadily increasing



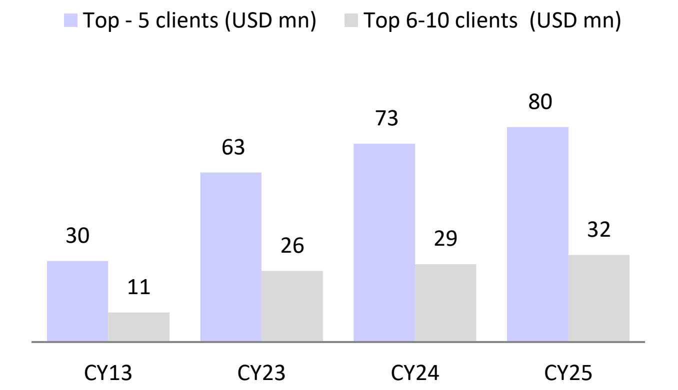
Source: Company, MOFSL

Exhibit 4: Top 5 accounts could grow slower than the company's growth



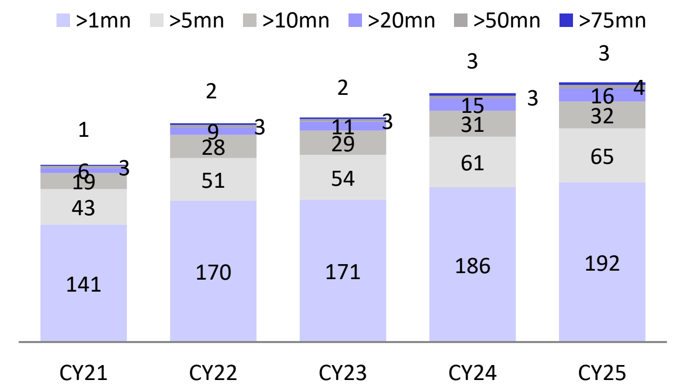
Source: Company, MOFSL

Exhibit 5: Growing average revenue contribution (USD mn) from large-scale clients



Source: Company, MOFSL

Exhibit 6: Steady increase in each client bucket driven by its "Land" strategy



Source: Company, MOFSL

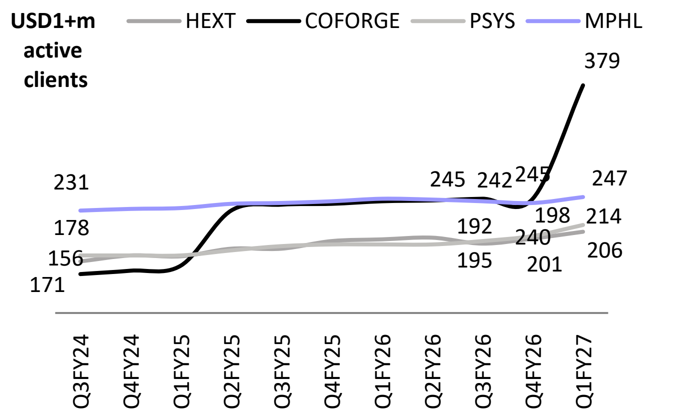
- HEXT's customer concentration as of June'26, with 25% of revenue from the top 5 customers and 36% from the top 10 customers, is lower than that of two of the four key peers, highlighting a more diversified revenue base.
- HEXT also generated more than USD10m in revenue from 34 customers and more than USD5m in revenue from 65 customers as of June'26.

Exhibit 7: Customer mix and concentration across mid-cap names

Customer concentration	HEXT	Coforge	Mphasis	Persistent Systems
Top 5 (%)	25%	18%	40%	33%
Top 10 (%)	36%	26%	56%	43%
Top 20 (%)	49%	-	-	54%
Customer mix				
>USD1m	206	379	133	214
>USD5m	65	99	52	60
>USD10m	34	47	30	32
>USD20m	16	18	15	12
>USD50m	4	4	7	4
>USD75m	2	1	6	4

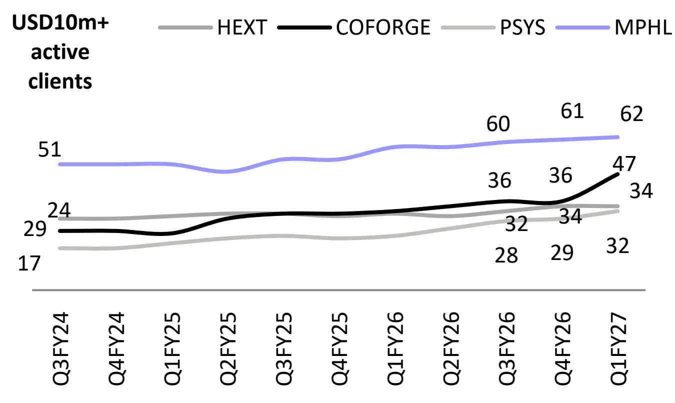
Source: Company, MOFSL; Note: HEXT data is as of 2QCY26 and remaining company is as of 1QFY27.

Exhibit 8: Client hunting in USD1m+ bucket is second only to Coforge



Source: Company, MOFSL; Note: Coforge USD1+mn clients spiked due to Cigniti acq in 2QFY25 and Encora acquisition in 1QFY27.

Exhibit 9: HEXT pace of mining has been relatively measured compared with Coforge and Persistent



Source: Company, MOFSL

- Client hunting in the USD1m+ category has remained broadly stable for HEXT, increasing from 171 clients in 4QCY23 to 206 in 2QCY26, broadly in line with peers, excluding acquisition-led expansion at Coforge.
- Client mining remains gradual for HEXT, with USD10m+ clients increasing modestly from 29 in 4QCY23 to 34 in 2QCY26. While this reflects steady expansion within existing relationships, **the pace of scale-up has been relatively measured compared with Coforge and Persistent, which have seen faster growth in larger client cohorts over the same period**.

Operating metrics

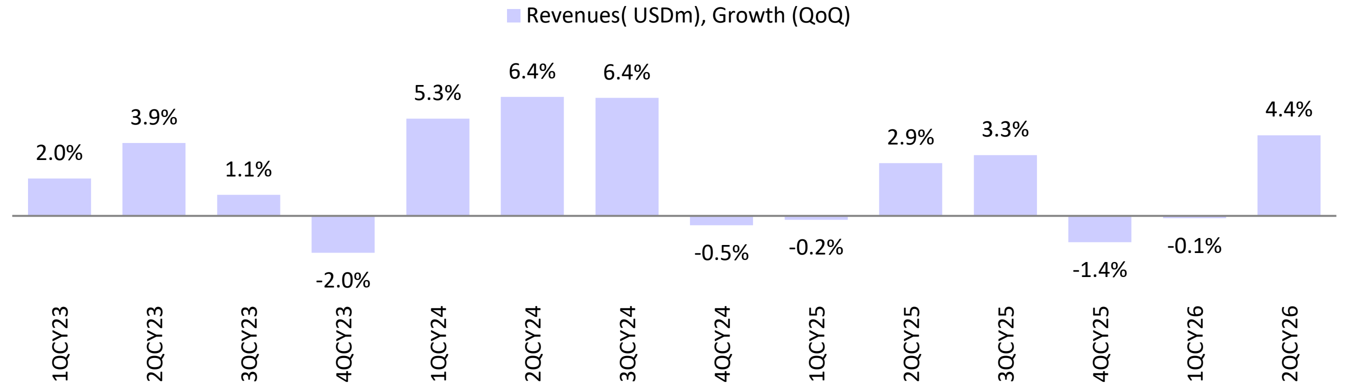
Exhibit 10: Operating metrics

	4QCY24	1QCY25	2QCY25	3QCY25	4QCY25	1QCY26	2QCY26
Revenue by Verticals (%)							
Financial Services	29.1%	30.5%	30.0%	29.6%	30.1%	29.6%	28.7%
Healthcare and Insurance	21.1%	20.8%	20.7%	22.3%	20.6%	22.7%	23.1%
Manufacturing and Consumer	14.8%	14.9%	14.4%	16.2%	16.3%	16.1%	16.0%
Hi-Tech and Professional Services	18.3%	14.2%	17.3%	15.3%	12.6%	12.7%	13.8%
Banking	8.8%	7.8%	8.6%	8.7%	9.8%	9.0%	9.0%
Travel and Transportation	7.9%	8.6%	9.0%	7.8%	8.4%	7.7%	7.2%
Revenue - Geography (%)							
America	75.6%	76.1%	75.3%	75.6%	74.4%	74.6%	73.6%
Europe	18.6%	18.2%	19.1%	19.0%	19.3%	19.5%	19.9%
APAC	5.8%	5.6%	5.6%	5.5%	6.3%	5.9%	6.5%
Revenue Mix- IT, BPS, and Others							
IT Services	84.3%	84.8%	85.8%	83.8%	85.5%	84.6%	85.2%
BPS	12.9%	12.4%	12.2%	11.7%	11.8%	12.2%	11.4%
Others	2.8%	2.8%	2.0%	4.6%	2.8%	3.2%	3.3%
Client Profile							
>1m	186	195	197	199	192	198	206
>5m	61	66	66	65	59	66	65
>10m	31	30	31	30	32	34	34
>20m	15	15	15	15	16	15	16
>50m	3	3	4	4	4	4	4
>75m	3	3	3	3	3	3	2
Total Headcount	**32,309**	**31,564**	**32,410**	**33,590**	**33,844**	**33,798**	**34,506**
Utilisation Rate- for IT	81.6%	82.1%	83.7%	83.8%	80.8%	82.6%	84.8%
Attrition Rate- IT	10.8%	11.2%	11.1%	11.4%	11.0%	11.1%	11.2%
DSO(Billed)	**38**	**39**	**40**	**37**	**38**	**44**	**39**

Source: Company, MOFSL

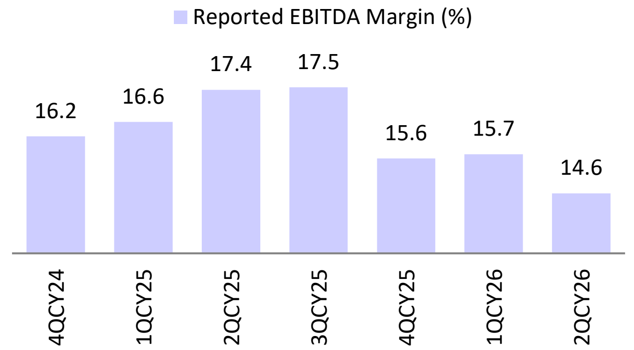
Story in charts

Exhibit 11: USD revenue grew 4.4% QoQ CC, led by underlying volume growth of ~USD9m and a calendar/billing-day benefit of ~USD5m



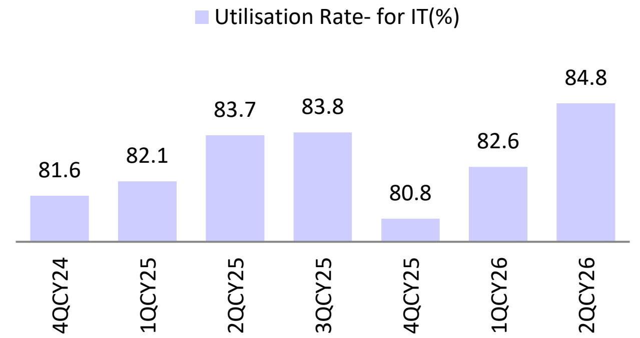
Source: Company, MOFSL

Exhibit 12: EBITDA decreased 110bp



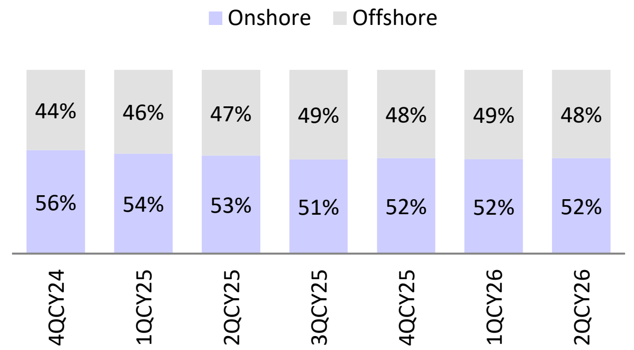
Source: Company, MOFSL

Exhibit 13: Utilization increased 220bp sequentially



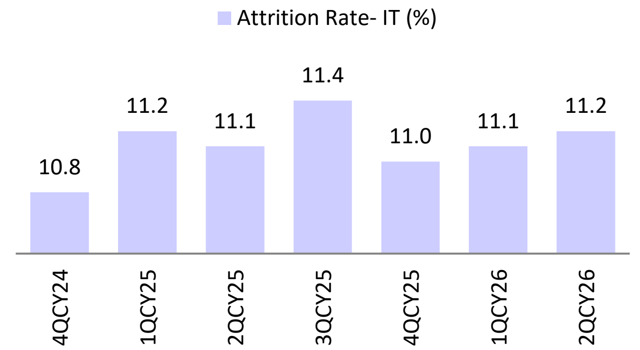
Source: Company, MOFSL

Exhibit 14: Offshore mix remained stable



Source: Company, MOFSL

Exhibit 15: Attrition increased 10bp QoQ



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement (INR m)

Y/E March	CY22	CY23	CY24	CY25	CY26E	CY27E
Total Income from Operations	**91,996**	**1,03,803**	**1,19,744**	**1,34,304**	**1,54,292**	**1,70,423**
Change (%)	28.2	12.8	15.4	12.2	14.9	10.5
Employees Cost	55,582	61,282	69,649	77,610	90,353	99,130
Total Expenditure	**55,582**	**61,282**	**69,649**	**77,610**	**90,353**	**99,130**
% of Sales	60.4	59.0	58.2	57.8	58.6	58.2
Gross Profit	**36,414**	**42,521**	**50,095**	**56,694**	**63,939**	**71,293**
SG&A	24,197	26,710	31,793	34,229	38,947	42,780
EBITDA	**12,217**	**15,811**	**18,302**	**22,465**	**24,992**	**28,512**
% of Sales	13.3	15.2	15.3	16.7	16.2	16.7
Depreciation	2,444	2,836	2,788	3,613	3,915	4,855
EBIT	**9,773**	**12,975**	**15,514**	**18,852**	**21,077**	**23,657**
% of Sales	10.6	12.5	13.0	14.0	13.7	13.9
Other Income	1,457	-290	89	-942	-1,246	-170
PBT	**11,230**	**12,685**	**15,603**	**17,910**	**19,831**	**23,487**
Total Tax	2,388	2,709	3,863	3,654	5,057	5,932
Tax Rate (%)	21.3	21.4	24.8	20.4	25.5	25.3
Reported PAT	**8,842**	**9,976**	**11,740**	**13,684**	**15,038**	**17,554**
Change (%)	18.1	12.8	17.7	16.6	9.9	16.7
Margin (%)	9.6	9.6	9.8	10.2	9.7	10.3
Minority Interest	0	0	0	0	0	0
Adjusted PAT	**8,842**	**9,976**	**11,740**	**14,256**	**14,774**	**17,554**
Tax Rate (%)	18.1	12.8	17.7	21.4	3.6	18.8

Consolidated - Balance Sheet (INR m)

Y/E March	CY22	CY23	CY24	CY25	CY26E	CY27E
Equity Share Capital	604	607	608	609	609	609
Total Reserves	40,626	45,745	52,961	62,549	69,936	78,713
Net Worth	**41,230**	**46,352**	**53,569**	**63,158**	**70,545**	**79,322**
Minority Interest	0	0	-23	-32	-32	-32
Borrowings	0	0	0	0	0	0
Other Long term liabilities	4,363	4,111	7,678	10,817	11,296	11,683
Capital Employed	**45,593**	**50,463**	**61,224**	**73,943**	**81,810**	**90,974**
Net Fixed Assets	**9,863**	**9,018**	**10,358**	**12,905**	**15,470**	**17,771**
Goodwill	14,205	14,290	23,871	35,768	35,768	35,768
Capital WIP	63	552	1,308	505	505	505
Other Assets	6,490	6,144	8,897	9,391	9,522	9,627
Curr. Assets, Loans&Adv.	**34,519**	**42,017**	**45,511**	**50,477**	**56,506**	**64,144**
Account Receivables	18,818	18,458	19,755	20,556	22,404	23,346
Cash and Bank Balance	12,916	17,734	19,766	19,708	23,889	30,586
Current Investments	291	2,724	711	2,395	2,395	2,395
Other Current Assets	2,494	3,101	5,279	7,818	7,818	7,818
Curr. Liability & Prov.	**19,547**	**21,558**	**28,721**	**35,103**	**35,960**	**36,843**
Account Payables	5,357	6,595	9,140	10,069	11,181	12,268
Other Current Liabilities	12,369	12,676	17,165	22,401	22,146	21,942
Provisions	1,821	2,287	2,416	2,633	2,633	2,633
Net Current Assets	**14,972**	**20,459**	**16,790**	**15,374**	**20,545**	**27,302**
Appl. of Funds	**45,593**	**50,463**	**61,224**	**73,943**	**81,810**	**90,974**

Financials and valuations

Ratios

Y/E March	CY22	CY23	CY24	CY25	CY26E	CY27E
Basic EPS (INR)	14.5	16.4	19.3	23.1	23.9	28.4
Cash EPS	18.5	21.1	23.9	28.9	30.3	36.3
BV/Share	68.3	76.4	88.1	103.7	115.8	130.3
DPS	11.0	8.8	8.7	11.3	12.0	14.2
Payout (%)	75.7	53.3	45.3	49.0	50.0	50.0
Valuation (x)						
P/E	39.2	34.8	29.6	24.7	23.8	20.1
Cash P/E	30.8	27.1	23.9	19.7	18.8	15.7
P/BV	8.4	7.5	6.5	5.5	4.9	4.4
EV/Sales	3.6	3.1	2.7	2.4	2.1	1.8
EV/EBITDA	27.1	20.3	17.8	14.5	12.9	11.0
Dividend Yield (%)	1.9	1.5	1.5	2.0	2.1	2.5
Return Ratios (%)						
RoE	22.4	22.8	23.5	23.5	22.5	23.4
RoCE	16.6	20.4	19.9	19.6	17.9	19.3

Consolidated - Cash Flow Statement (INR m)

Y/E March	CY22	CY23	CY24	CY25	CY26E	CY27E
OP/(Loss) before Tax	11,230	12,685	15,603	17,268	19,831	23,487
Depreciation	2,444	2,836	2,788	3,613	3,915	4,855
Interest & Finance Charges	322	315	284	485	1,246	170
Direct Taxes Paid	-2,435	-2,579	-3,122	-3,681	-5,057	-5,932
(Inc)/Dec in WC	-3,824	1,223	-628	104	-736	145
Others	469	676	555	-398	0	0
CF from Operations	**8,206**	**15,156**	**15,480**	**17,391**	**19,199**	**22,724**
(Inc)/Dec in FA	-1,190	-634	-1,312	-1,635	-6,479	-7,157
Free Cash Flow	**7,016**	**14,522**	**14,168**	**15,756**	**12,720**	**15,568**
(Pur)/Sale of Investments	9,054	3,778	19,696	12,725	0	0
Others	-8,015	-6,140	-25,074	-21,052	-1,377	-276
CF from Investments	**-151**	**-2,996**	**-6,690**	**-9,962**	**-7,856**	**-7,433**
Issue of Shares	1	3	1	599	0	0
Inc/(Dec) in Debt	-59	-1,870	-1,370	-1,668	224	183
Interest Paid	-56	-136	-136	-244	0	0
Dividend Paid	-6,637	-5,308	-5,314	-6,995	-7,387	-8,777
Others	-460	-190	0	0	0	0
CF from Fin. Activity	**-7,211**	**-7,501**	**-6,819**	**-8,308**	**-7,163**	**-8,594**
Inc/Dec of Cash	**844**	**4,659**	**1,971**	**-879**	**4,181**	**6,697**
Forex Adjustment	285	159	61	821	0	0
Opening Balance	11,787	12,916	17,734	19,766	19,708	23,889
Closing Balance	**12,916**	**17,734**	**19,766**	**19,708**	**23,889**	**30,586**

N O T E S

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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